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SUBJECT: ABU DHABI MEGA PROJECTS: POWERS BEHIND THE DREAM

REF: A) ABU DHABI 945 (Mega-projects: Masdar)
B) ABU DHABI 943 (Mega-projects: Listing)
C) ABU DHABI 920 (Mega-projects: Overview)
D) DUBAI 329 (Labor accommodations)
E) DUBAI 271 (Dubai mega-projects)
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SUMMARY

1. (SBU) Abu Dhabi, the capital of the UAE and one of the richest cities in the world, is taking bold steps to change its landscape (reftels A, B, C). With approximately 1,460,000 residents in the Emirate of Abu Dhabi (the majority in the city of Abu Dhabi itself), one-tenth of the planet's oil, and estimates of nearly \$1 trillion invested abroad, few can fathom its vast wealth. And what does a small country do with such phenomenal resources? Abu Dhabi is moving fast and furiously to make its mark as a rival of Singapore, Tokyo -- and perhaps, Dubai. Residents of Abu Dhabi navigate around construction sites with foreign workers building skyscrapers, five-star hotels, shopping malls, million dollar residential areas, and more! But who and what are behind all the seemingly limitless developments and grand investments? Much of it starts with the Abu Dhabi Crown Prince Sheikh Mohammed bin Zayed Al Nahyan and follows with billions of dollars of investments, an emerging cast of mega developers, and, of course, U.S. (and other non-UAE) commercial interests. This cable will note key players in Abu Dhabi's quick race to the top in the midst of cranes, trucks, concrete, dust, and sand -- all working towards making the Abu Dhabi brand known world-wide. End summary.

ROYAL LEADERSHIP

2. (SBU) The November, 2004 death of UAE founder Sheikh Zayed bin Sultan Al Nahyan left the field of Abu Dhabi leadership to his 19 sons; Sheikh Khalifa, the eldest, former Crown Prince and undisputed senior player, easily became Ruler of Abu Dhabi and President of the UAE Federation. Next in line, Sheikh Mohammed bin Zayed (MbZ) became the new Crown Prince, taking over the day-to-day running of Abu Dhabi. The new team quickly set in motion a spirited plan to make Abu Dhabi a well-known financial and touristic epicenter of the region. Sheikh Mohammed has since made his mark on almost every major development underway in Abu Dhabi.

3. (SBU) Sheikh Mohammed, juggling the roles of Crown Prince and Deputy Supreme Commander of the UAE Armed Forces, also heads the Abu Dhabi Executive Affairs Authority and the Emirate's major development organization "Mubadala." Since its establishment in 2002, Mubadala represents the main investment vehicle for the Emirate to achieve a broad range of sustainable social and economic benefits. Further, MbZ heads the Abu Dhabi Council for Economic Development (ADCED) -- the Emirate's premier economic planning

institution. A hands-on manager, MbZ is a graduate of Britain's Sandhurst military academy and upon becoming Crown Prince rapidly asserted his role in upgrading Abu Dhabi infrastructure. As part of MbZ's ambitions to put Abu Dhabi on the world map, he champions a vision of Abu Dhabi as a hub for culture, tourism, research, and prosperity.

¶4. (SBU) MbZ's team has consistently touted the benefits of 1) transportation, 2) iconic landmarks, 3) attractive tourist and resort destinations, and 4) sustainable investment. One of the first projects to get off the ground was Abu Dhabi's own international air carrier, Etihad Airways. The idea was to duplicate the success of Emirates, the airline that helped put Dubai on the map as a tourist destination. Initially, Etihad placed an \$8 billion order with Airbus, including four A380s, and recently it ordered \$9.4 billion from Boeing (35 Dream Liners and ten 777s). Abu Dhabi's iconic character took another step into luxury with the 2005 construction of the \$3 billion Emirates Palace hotel, featuring \$1,000-a-night rooms and \$10,000-a-night suites. The lavish "seven-star" palace sets a tone for other developments, many designed to complement the work of the Abu Dhabi Tourism Authority, established in 2004 to promote and develop the Emirate's international image as a tourist destination. Finally, with Mubadala as a key tool, MbZ seeks to invest wisely (\$200 billion over the next ten years) to ensure Abu Dhabi's position both domestically and internationally. With billions of dollars on hand and limitless ambition, MbZ and his team have overseen a boom of construction, real estate development, and mega project expansion in Abu Dhabi since 2004.

MUBADALA

¶5. (SBU) Investing, and investing big, in the development of the Emirate, Mubadala is a Public Joint Stock Company headquartered in

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Abu Dhabi focusing on developing and managing extensive and diverse portfolios of commercial initiatives. Mubadala's sole shareholder is the Government of the Emirate of Abu Dhabi. It is currently managing a multi-billion dollar portfolio of local, regional, and international investments, projects, and initiatives. It employs over 500 employees. Through its investment and development projects, Mubadala is both a catalyst for, and a reflection of, the drive for economic diversification of Abu Dhabi. Its impact is evident domestically and internationally in sectors such as energy, aerospace, real estate, healthcare, technology, infrastructure, and services. A plan to open a branch campus of New York University is yet another example of the diversity and drive of the organization.

¶6. (SBU) Decision-makers at Mubadala have undertaken bold and deliberate steps to drive growth in new areas of the local economy, and facilitate greater engagement with the business world and the private sector. Its CEO is Khaldoon Khalifa al Mubarak, a thirty-something, Tufts educated entrepreneur at the forefront of the economic development in Abu Dhabi. He has helped expand Mubadala into shopping malls, residential properties, healthcare, petroleum, telecommunications, and many other global business opportunities. (Mubarak also leads the Executive Affairs Authority under MbZ's leadership. A close confidant of the Crown Prince and a frequent interlocutor with senior USG visitors, he embodies the confidence and ambition of the Abu Dhabi vision articulated by MbZ.)

¶7. (SBU) The Mubadala website quotes Sheikh Mohammed as saying: "Our Emirate is in the midst of a significant time in its history, and continues to enjoy a proud record of successful international partnerships across a range of sectors. As our economy continues to diversify, organizations such as Mubadala Development are ideally placed to expand on those achievements." Mubadala is obviously expanding and doing so in a big way -- with hands in almost every major project in Abu Dhabi, including large stakes in the major mega developers who are quickly turning profits as big ideas start to become a reality.

¶8. (SBU) To name a few of its investments, Mubadala acquired a 5%

share of Ferrari in July 2007, and is a shareholder in Abu Dhabi Ship Building, Aldar Properties, Injazat Data Systems (with U.S. company Electronic Data Systems) and the National Central Cooling Company. Additionally, along with Volkswagen and the Al Olayan Group of Saudi Arabia, Mubadala has also become a partner in LeasePlan, Europe's leading fleet management company. It is also making bold foreign investments, including its recent joint venture with General Electric Company worth \$8 billion focused on providing commercial finance in the Middle East and Africa.

MEGA DEVELOPERS

¶9. (SBU) With the boom in construction and infrastructure development in Abu Dhabi that has been partially fueled by Mubadala, there have also emerged a number of new, and rapidly profitable, developers. The most notable are Aldar and Sorouh, both publicly traded companies with significant ownership held by the Abu Dhabi government (including Mubadala) and/or members of the Abu Dhabi Royal Family. Aldar and Sorouh are flourishing largely because of the 2005 Law Number 19 which formally abandoned an old property regime and permitted the sale of land by citizens and, in some areas, the purchase of 99-year leaseholds by foreigners. This law paved the way for large-scale developers to move in and expand business opportunities to include foreign investment, including the purchase of residential real estate in Abu Dhabi. There are, of course, a number of other developers present in Abu Dhabi but Aldar and Sorouh are currently cornering the market on the major developments -- subcontracting out work to a galaxy of smaller concerns. Below is an overview of the two companies.

ALDAR

--- Developer: Aldar
--- Major Developments: Al Raha Beach and Gardens, Yas Island, Central Market, and Cleveland Clinic.
--- Estimated Investments: Over 33 million square meters of land area valued at over AED 39 billion (\$11 billion USD) under development in some of Abu Dhabi's most high profile projects.

¶10. (U) Aldar (purportedly modeled after Emaar Properties, the development company that built much of Dubai), is charged with developing a number of Abu Dhabi's strategic sites, including YAS Island and neighboring Raha Beach. Aldar was formed in 2004 and is actively developing a range of commercial, residential, and retail projects in addition to luxury resorts. It also has plans to expand internationally (to date, Aldar is only working in the UAE and Kazakhstan). The company is owned by leading Abu Dhabi

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institutions, including Mubadala, and has over 20,000 investors throughout the UAE and over 500 employees.

SOROUH

--- Developer: Sorouh
--- Major Developments: Lulu Island, Al Reem Island, and Khalidiya Village
--- Estimated Investments: Projects are valued in excess of AED 45 billion (\$12 billion USD).

¶11. (U) Another relatively new and highly successful developer is Sorouh. Launched in September 2005, it employs in excess of 180 individuals. Sorouh is one of the most widely held stocks with approximately 55,000 shareholders in the UAE. Sorouh is also the largest Abu Dhabi-based, publicly listed real estate developer. Sorouh has launched projects valued in excess of AED 45 billion (\$12 billion USD).

TDIC

--- Government Developer: Tourism Development and Investment Company (TDIC) (sole equity stakeholder is Abu Dhabi Tourism

Authority)

--- Major Developments: Saadiyat Island, Guggenheim Abu Dhabi, and Louvre Abu Dhabi.

¶12. (SBU) Another companion to these highly successful developers is the Tourism Development and Investment Company (TDIC), established in April 2006 with the Abu Dhabi Tourism Authority as its sole equity stakeholder. Some of TDIC's projects include the transformation of Saadiyat Island (27 square kilometer "cultural" island near the UAE capital outlined in ref B) and Desert Islands (a multi-experiential destination in the emirate's Western Region). The range of TDIC's project portfolio spans redevelopment of urban landmark districts, new-build mixed-use complexes, down-town business and leisure resorts, desert resorts and a leading-edge headquarters which is to be a showcase in sustainability. (Every new UAE institution needs an "iconic" home!) Sheikh Sultan Bin Tahnoun Al Nahyan is the Chairman of TDIC and also chairs Abu Dhabi Tourism Authority.

U.S. COMMERCIAL INTERESTS: BENEFICIARY OF THE BOOM

¶13. (SBU) With over 750 U.S. companies operating in the UAE, a significant number of U.S. firms are integrally involved in various aspects of the mega development in Abu Dhabi. There is obvious interest in the success of the mega projects among U.S. investors hoping to profit from the billions of dollars being poured into Abu Dhabi's renaissance. U.S. companies are involved in almost every aspect of development; where they are not building, they are consulting. Awards like U.S.-based Thorium Power's two consulting and strategic advisory service agreements worth \$8.1 million to evaluate nuclear energy are not uncommon. Etihad has purchased millions of dollars of U.S. aircraft equipment. Additionally, U.S.-based construction companies are involved directly or indirectly in almost every aspect of project development. As the mega projects continue to pursue an ambitious agenda, the opportunities for U.S. business interests seem limitless. Hotels around Abu Dhabi are filled to overcapacity with business travelers trying to insert themselves into the mix: defense contractors, environmental consultants, and real estate speculators -- all coming to Abu Dhabi banking on the profitability of massive infrastructure upgrades.

¶14. (U) According to the US-UAE Business Council's January 2008 "Trade and Investment Report", U.S. goods exports to the UAE increased by 352 percent from \$2.6 billion in 2001 to \$11.9 billion in 2006. This growth is far greater than the 42 percent increase for overall U.S. exports around the world. The UAE's share in U.S. exports to the Gulf Cooperation Council (GCC), which consists of the UAE, Saudi Arabia, Qatar, Bahrain, Kuwait, and Oman, doubled from 25 percent in 2001 to 49 percent in 2006. The UAE is the single largest export market for U.S. goods and services in the Middle East, and U.S. exports to the UAE have expanded nearly five-fold from 2000 to 2006. In 2006, the UAE imported \$2,571 of U.S. goods per capita, which exceeded that of many important U.S. trading partners including Kuwait (\$821), Saudi Arabia (\$330), Japan (\$468), Germany (\$501), Mexico (\$1,287), and Israel (\$1,558).

¶15. (U) Additionally, according to the report, U.S. exports to the UAE originate from a wide variety of U.S. states. In 2006, the five largest sources were: Washington (33 percent), Texas (21 percent), California (8 percent), New York (6 percent), and Tennessee (3 percent). U.S. foreign direct investment in the UAE rose 445

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percent from at least \$834 million in 2001 to \$4,547 million in 2006. This figure far exceeds a worldwide increase of 63 percent in the same period and an increase of only 22 percent in Saudi Arabia. The pace of UAE investments in the United States has also quickened.

Recent examples include a proposed 20 percent share in NASDAQ, a 7.5 percent share in the Carlyle Group, an 8.1 percent share in Advanced Micro Devices, and a 4.9 percent stake in Citigroup. Cooperation extends beyond the private sector. U.S. non-profit organizations are also expanding their activities in the UAE, including a Johns Hopkins University partnership in a new cancer treatment center and a New York University plan to establish a

branch campus in Abu Dhabi by 2010. If the boom continues as planned, U.S. investments in the UAE will continue to expand rapidly.

BUT WHERE DOES THE UAE GO FROM HERE?

¶16. (SBU) Comment: What does all this development and expansion really mean for Abu Dhabi and the UAE? With less than 20% of the resident population being Emirati citizens, who will occupy the residences and patronize the projects? If the foreign population grows, where does this increasing demographic imbalance leave the culture and heritage of the country? The final cable in the series will take a look at the socioeconomic impact of the mega projects on the future of the nation. End comment.

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